

•
•
•
•
•
•
•

19345 Point O Woods Court
Baton Rouge, Louisiana 70809
225-753-4723
225-753-4661 (fax)

Energy Research Services, Inc.

November 14, 2006

Re: Revised Application for Public Hearing to Commingle Production
Hilcorp Energy Company
Caillou Island Commingling Facility No. 1 (91603)
Caillou Island Field
Terrebonne Parish, Louisiana

Mr. Scott Hoffman,

Pursuant to the provisions of Title 30 of the Revised Statutes of 1950, application is being made on behalf of Hilcorp Energy Company (Hilcorp) for the calling of a public hearing after ten-day legal notice, to consider evidence relative to the issuance of an order giving permission to commingle the gas and liquid hydrocarbon production from the following Caillou Island and Timbalier Bay Field wells through the referenced Caillou Island Commingling Facility No. 1 (91603), Caillou Island Field, Terrebonne Parish, Louisiana. It is proposed to commingle and allocate production from State Lease 17729 along with production previously approved at the Caillou Island Commingling Facility No. 1, in the Caillou Island Field by means of monthly well tests. The SL 17729 No. 1 (SN 232938) was completed on July 12, 2006, as a producing well.

Hilcorp has been unable to get one hundred percent of the Royalty and Working Interest Owners to execute the agreement necessary to authorize this action administratively, therefore, a hearing is being requested.

The method of measurement and allocation of production which Hilcorp is proposing is explained in the attached description of operations and schematic flow diagram for the Caillou Island Commingling Facility No. 1. As indicated, the production will be allocated by monthly well test, using methods other than gauge tanks. The methods of measurement and allocation previously approved at the facility will remain the same.

Attached are copies of the following:

- Schematic flow diagrams
- Description of operations
- List of interested owners, interested parties, and represented parties
- State Lease plat
- Well location plat for the SL 17729 No. 1
- Hearing Application Fee of \$ 755.00 (already submitted)

The applicable authority will be covered pursuant to Title 43, Part XIX. Subpart 6, Statewide Order No. 29-D-1. 1505.2 (Well Test). The allocation meters will be tested and proven monthly for liquid hydrocarbon meters and quarterly for gaseous hydrocarbon meters.

In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation policies, statutes or regulations of the State of Louisiana. Further, in the opinion of the applicant, the commingling procedure proposed will provide reasonable, accurate measurement, will not create inequities and will insure that the owner of any interest will have the opportunity to recover his just and equitable share of the reservoir content. Hilcorp requests that this matter be set for hearing at the earliest possible time and date.

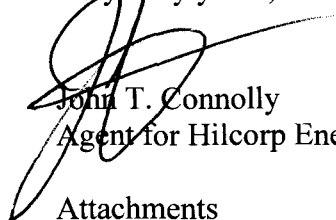
A copy of this application and attachments, except the application fee, is being sent to Mr. Richard D. Hudson, District Manager, Office of Conservation, Lafayette, Louisiana. A copy of the legal notice will be mailed to the Interested Owners, Represented Parties, and Interested Parties having an interest in the various leases.

Hilcorp will provide for the advertisement of the legal notice in a newspaper of general circulation in the vicinity of Caillou Island Field and will also post the legal notice in a prominent place in the area of the field.

All inquiries concerning this proposal should be directed to Mr. John T. Connolly, Agent for Hilcorp Energy Company, 19345 Point O Wood Court, Baton Rouge, Louisiana 70809.

Should you have any questions, please call or email me at 753-4723 / ersses@cox.net.

Very truly yours,



John T. Connolly
Agent for Hilcorp Energy Company

Attachments

Cc: Ms. Linda Trahan
Mr. Michael Schoch
Hilcorp Energy Company
PO Box 61229
Houston, Texas 77208

Mr. Richard Hudson
District Manager
Office of Conservation
825 Kaliste Saloom Road
Brandywine III, Suite 220
Lafayette, Louisiana 70508

**Description of Operation
Caillou Island Commingling Facility No. 1
CF # 091603
State Lease 2826 Main Production Facility
Caillou Island Field
Terrebonne Parish, Louisiana**

GENERAL:

Production from the Caillou Island and Timbalier Bay Field wells is processed and sold at the State Lease 2826 Main Production Facility. It is proposed that monthly well test be conducted on each well and production be allocated based on the well tests.

LOW PRESSURE PRODUCTION:

PRODUCTION TRAIN: The low pressure producing wells are manifolded to one low-pressure two-phase separator. The gas from this separator is metered through an orifice meter, and compressed for sales. The fluid from this separator is combined and directed to a low-pressure three-phase production heater treater where the oil and water are separated. The oil is routed through a LACT unit and metered prior to sales. The water is routed to the salt water handling facilities.

TEST TRAIN: During monthly well tests, each low pressure well is routed to a low pressure three phase test separator and a low pressure three-phase test heater treater. The gas from the test separator is metered through an orifice meter and then combined with other low pressure gas for total low pressure gas measurement, compression, and sales. The oil and water is separated in the test heater treater where each is measured by a turbine flow meter. The oil is then combined with other oil production and prepared for sales as described above. The water is sent with other produced water to the salt water handling facilities. The turbine flow meters are exchanged for a recalibrated turbine flow meter on a monthly basis to maintain accuracy.

HIGH PRESSURE PRODUCTION:

PRODUCTION TRAIN: The high pressure producing wells are manifolded to a high pressured two-phase production separator. The gas is metered through an orifice meter and sent to sales. The fluid is routed through the low pressure production system with other low pressure wells and handled as described above.

TEST TRAIN: During monthly well tests, each high pressure well is manifolded to a high pressure two-phase test separator. The high pressure gas is metered through an orifice meter and then combined with other high pressure gas for sales. The fluid is sent to the low pressure three-phase test separator and then to the low pressure three-phase test heater treater where it is processed as described above. During high pressure well test, the block valve on the flow line from the HP Test Separator to the LP Bulk Separator will be closed.

- * The deminimus volume of fluids generated in the suction scrubber are routed to the saltwater tank and not metered.
- * All pressured vessels have flow lines to an emergency flare in the event of an upset.

